

**GORHAM-MACBANE PUBLIC LIBRARY  
(A Joint Venture)  
Financial Statements  
June 30, 2012**

Gorham-MacBane Public Library  
(A Joint Venture)  
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Gorham-MacBane Public Library  
(A Joint Venture)  
Board of Director and Key Employees  
June 30, 2012

Board of Directors

Cindy Sneed, Chairman	Springfield, Tennessee
Linda Thompson, Secretary	Springfield, Tennessee
Sherry Eden	White House, Tennessee
Jonathan Garner	Springfield, Tennessee
Mary Sue Head	Springfield, Tennessee
James Marshall	Springfield, Tennessee
Bernard Wood	Springfield, Tennessee
Carol Sletto	Springfield, Tennessee

Key Employees (see Note 12)

Mary Schmidt, Librarian	Springfield, Tennessee
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CARL A. DAVIS & COMPANY  
Certified Public Accountants

## CARL A. DAVIS & COMPANY, CPA's

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Gorham-MacBane Public Library  
Springfield, Tennessee

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and the major fund of Gorham-MacBane Public Library as of and for the year ended June 30, 2012, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because of the lack of a historical audit trail with respect to the fixed assets, we were not able to satisfy ourselves as to the completeness of fixed assets or the accuracy of the computation of the related accumulated depreciation or depreciation expense. The completeness and accuracy of fixed assets and the related depreciation materially affect the determination of the financial position and results of revenues, expenses and changes in net assets of the governmental activities for the year ended June 30, 2012.

Because of the matter discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of net assets and the statement of activities of the governmental activities for the year ended June 30, 2012.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the discretely presented component unit and the major fund of Gorham-MacBane Public Library as of June 30, 2012, and the respective changes in fund balance thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 12, 2013, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

Hendersonville:  
Portland:

131 Maple Row Blvd., Suite A100, Hendersonville, TN 37075  
901 S. Broadway, Portland, TN 37148

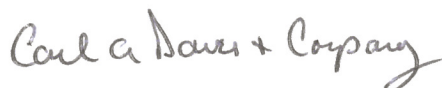
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testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's financial statements. The Supplemental Information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (not presented) and the Schedule of Funding Progress on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the presented required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. Gorham-MacBane Public Library has not presented a Management's Discussion and Analysis. Our opinion on the basic financial statements is not affected by the missing information.



Carl A. Davis & Company, CPAs  
Hendersonville, TN  
July 12, 2013

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Net Assets  
June 30, 2012

	<u>Governmental Activities</u>	<u>Component Unit - Friends of Gorham- MacBane Library</u>
<b>ASSETS</b>		
<b><u>Current Assets</u></b>		
Cash	\$ 209,006	\$ 22,358
Savings and temporary cash investments	-	643,503
Pledges Receivable, current portion	-	16,119
Total Current Assets	<u>209,006</u>	<u>681,980</u>
<b><u>Capital Assets</u></b>		
Books	1,142,660	-
Audio-Visual	172,373	-
Furniture and Equipment	233,655	-
Building	164,279	-
Construction in Progress	177,163	-
Land	60,000	-
Less: Accumulated Depreciation	<u>(1,387,561)</u>	<u>-</u>
Net Capital Assets	<u>562,568</u>	<u>-</u>
<b><u>Other Assets</u></b>		
Cash - Nonspendable	20,000	-
Pledges Receivable, noncurrent	231	24,946
Prepaid Expense	<u>2,469</u>	<u>-</u>
Total Other Assets	<u>22,700</u>	<u>24,946</u>
Total Assets	<u><u>\$ 794,274</u></u>	<u><u>\$ 706,926</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	4,340	-
Other Accrued Liabilities	1,202	-
Payroll Taxes Payable	3,361	-
Credit Cards Payable	<u>919</u>	<u>-</u>
Total Current Liabilities	<u>9,822</u>	<u>-</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets	562,568	
Restricted	20,000	
Unrestricted	<u>201,884</u>	<u>706,926</u>
Total Net Assets	<u>784,452</u>	<u>706,926</u>
Total Liabilities & Net Assets	<u><u>\$ 794,274</u></u>	<u><u>\$ 706,926</u></u>

Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Activities  
For the Year Ended June 30, 2012

	Governmental Activities	Component Unit - Friends of Gorham- MacBane Library
Expenses		
Salaries and related items	197,412	\$ -
Periodicals	2,200	-
Occupancy costs	44,066	-
Depreciation	86,759	-
Other operating costs	46,587	41,930
	<hr/>	<hr/>
Total program expenses	377,024	41,930
Program Revenues	21,030	986
	<hr/>	<hr/>
Net program expense	(355,994)	(40,944)
General Revenues		
Local government support	330,540	-
Donated books	15,856	-
Interest	79	8,657
Donations for library expansion	-	137,803
Other public support	4,883	-
	<hr/>	<hr/>
Total general revenues	351,358	146,460
Change in net assets	(4,636)	105,516
Net assets at beginning of year	789,088	601,410
	<hr/>	<hr/>
Net assets at end of year	784,452	\$ 706,926
	<hr/> <hr/>	<hr/> <hr/>

Gorham-MacBane Public Library  
(A Joint Venture)  
Balance Sheet  
Governmental Fund  
June 30, 2012

	General Fund
<hr/>	
ASSETS	
<b><u>Current Assets</u></b>	
Cash on Hand	\$ 50
Cash	208,956
	<hr/>
Total Current Assets	209,006
	<hr/>
<b><u>Other Assets</u></b>	
Cash - Nonspendable	20,000
Accounts Receivable	231
Prepaid Expense	2,469
	<hr/>
Total Other Assets	22,700
	<hr/>
Total Assets	\$ 231,706
	<hr/> <hr/>
 LIABILITIES AND FUND BALANCES	
<b><u>Current Liabilities</u></b>	
Accounts Payable	4,340
Other Accrued Liabilities	1,202
Payroll Taxes Payable	3,361
Credit Cards Payable	919
	<hr/>
Total Current Liabilities	9,822
	<hr/>
<b><u>Fund Balance</u></b>	
Nonspendable	22,469
Committed for library expansion	139,190
Unassigned	60,225
	<hr/>
Total Fund Balance	221,884
	<hr/>
Total Liabilities & Fund Balance	\$ 231,706
	<hr/> <hr/>
Total Fund Balance - Modified Accrual Basis	\$ 221,884
 Amounts reported for governmental activities in the statement of net assets that are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<hr/> 562,568
Net assets of governmental activities	<hr/> \$ 784,452
	<hr/> <hr/>



Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2012

	General Fund
	<hr/>
<b><u>Revenues</u></b>	
Revenues (See Schedule on pg 19)	\$ 41,848
	<hr/>
Total Revenues	41,848
	<hr/>
<b><u>Expenditures</u></b>	
Salaries & Related Items	197,258
Utilities	17,811
Telephone	5,905
Maintenance & Repair	15,461
Supplies	18,299
Postage and Mailing Service	3,806
Insurance	4,890
Books	58,518
Periodicals	2,200
Audio-Visual Materials	28,593
Capital Outlay	5,500
Advertising	654
Professional Services	9,600
Staff Development	960
Other Expenses	5,470
Software	7,851
	<hr/>
Total Expenditures	382,776
	<hr/>
Excess (Deficiency) of Revenues over Expenditures	\$ (340,927)
	<hr/>
<b><u>Other Financing Sources</u></b>	
Robertson County Appropriation	\$ 165,270
City of Springfield Appropriation	165,270
	<hr/>
Total Non-Operating Revenues	330,540
	<hr/>
Increase (Decrease) in Fund Balance	(10,388)
	<hr/>
Fund Balance at Beginning of the Year	232,272
	<hr/>
Fund Balance at End of the Year	\$ 221,884
	<hr/> <hr/>



Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Governmental Fund  
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of net assets are different because:

Net Change in Fund Balance	\$ (10,388)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library Books and other Audio-Visual	87,111
Capital Outlay	5,500
Net Book Value of Disposed Assets	-
Depreciation	<u>(86,759)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ (4,536)</u></u>
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Gorham-MacBane Public Library  
(A Joint Venture)  
Statement of Revenues, Expenditures, & Changes in Fund Balances  
Actual to Budget  
General Fund  
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Revenues</u></b>				
Revenues (See Schedule on pg 19)	\$ 29,000	\$ 29,000	\$ 41,848	\$ 12,848
Total Revenues	29,000	29,000	41,848	12,848
<b><u>Expenditures</u></b>				
Salaries & Related Items	233,740	198,036	197,412	624
Utilities	15,600	19,200	17,811	1,389
Telephone	6,000	6,000	5,905	95
Maintenance & Repair	15,800	15,460	15,460	-
Supplies	13,000	22,092	22,077	15
Postage and Mailing Service	2,000	4,000	3,806	194
Insurance	3,000	4,884	4,890	(6)
Books	32,000	33,121	58,518	(25,397)
Periodicals	1,600	2,640	2,200	440
Audio-Visual Materials	14,000	28,400	28,593	(193)
Capital Outlay	5,500	5,500	5,500	-
Advertising			654	(654)
Professional Services	10,800	9,600	9,600	-
Staff Development	1,000	1,350	1,274	76
Other Expenses	1,000	1,107	1,225	(118)
Software	4,200	7,850	7,851	(1)
Total Expenditures	359,240	359,240	382,776	(23,536)
Excess of Revenues (Expenditures) Over Expenditures (Revenues)	(330,240)	(330,240)	(340,929)	(10,689)
<b><u>Other Financing Sources</u></b>				
Robertson County Appropriation	165,270	165,270	165,270	0
City of Springfield Appropriation	165,270	165,270	165,270	-
Total Non-Operating Revenues	330,540	330,540	330,540	0
Excess of Revenues and Other Financing Sources (Expenditures) over Expenditures (Revenues and Other Financing Sources)	\$ 300	\$ 300	\$ (10,388)	\$ (10,689)

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

**A. Organization**

Gorham-MacBane Public Library was created in February 1969 by the City of Springfield and Robertson County, Tennessee. The City and the County each provide half of the operating funds needed to supplement other revenues of the Library. The purpose of the Library is to furnish information to the citizens of Springfield and Robertson County, Tennessee.

**B. Basis of Presentation**

The Library's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

**C. Reporting Entity**

The Library is accounted for as a joint venture between Robertson County and the City of Springfield as defined in GASB 14. The City and County agreed to split the operational costs of the Library equally. Board members are appointed by the County. Capital assets used by the Library would revert to the City and County if the Library were ever disbanded.

The Friends of Gorham-MacBane Public Library is a legally separate, tax –exempt component unit of the Library. The Friends act primarily as a fund-raising organization to supplement the resources that are available to the Library in support of its programs. Although the Library does not control the timing or amount of funds available from the foundation, all fund held by the Friends are for the ultimate benefit of the Library, and therefore the Friends is considered a component unit and is discretely presented in the Library's financial statements.

**D. Basic Financial Statements – Government-Wide Statements**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Library's services are classified as governmental activities. The Library has no business-type activities. In the government-wide Statement of Net Assets the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Library's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital



Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants.

The net costs by function are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The general revenue of the Library consists of unrestricted investment income only.

The Library implemented GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, beginning with the fiscal year ended June 30, 2011. In accordance with GASB No. 54, fund balances are classified as follows:

**Nonspendable** – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – Amounts that can be spent only for specific purposes because of the Library Charter, state or federal laws, or externally imposed conditions by grantors or creditors.

**Committed** – Amounts that can be used only for specific purposes determined by the formal action of a resolution made by the library's highest level of decision making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the Library takes the same highest level of action, a Board resolution, to remove or change the constraint.

**Assigned** – Amounts the Library intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

**Unassigned** – Amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Library considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Library considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Directors or the finance committee has provided otherwise in its commitment or assignment actions.

This government-wide focus is more on the sustainability of the Library as an entity and the change in the Library's net assets resulting from the current year's activities.

**E. Basic Financial Statement – Fund Financial Statements**

The financial transactions of the Library are reported in individual funds in the fund financial statements. The operations of each fund are summarized by providing a

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

separate set of self-balancing accounts which include assets, liabilities, fund equity, revenues and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The Library reports the following major general fund:

**Government Fund Types:**

General Fund — The General Fund is the general operating fund of the library. It is used to account for all financial resources except those required to be accounted for in another fund. All of the essential governmental services are reported in the General Fund.

All revenues are attributable to the providing of library services.

**F. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual — The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual — The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**G. Financial Statement Accounts**

Cash

Cash consists of deposits in local banks and a money market account held at Edward Jones Investments. These deposits are stated at cost at June 30, 2012. All of the bank deposits are covered by federal depository insurance and insured by the State of Tennessee bank collateral pool. The Edward Jones money market account is fully insured by SPIC.

Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and



Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line or double-declining balance basis over the following estimated useful lives:

Buildings and Additions	40 years
Books and Audio Visual	5 years
Furniture and Equipment	5 - 40 years

**Revenues**

Revenues consist almost entirely of allocations provided by the City of Springfield and Robertson County. These revenues are recognized when they become available.

Other revenues include fines, donations and gifts, and in-kind allocations from the Warioto Regional Library Center. These revenues have no receivable component and are recognized when collected or provided.

**Expenses**

Expenses are recorded when the related liability is incurred.

**G. Budgets**

The Library Board appoints a committee, consisting of board members along with the librarian, which formulates the original budget. The budget is then submitted to the Library Board for approval. After the Library Board has approved the budget, it is then submitted to the City of Springfield Aldermen for approval. After the City Aldermen have approved the budget, it is then submitted to the budget committee of the Robertson County Commission. Upon passing review of the budget committee, it is then submitted to the full County Commission which has the final approval. The operating budget includes proposed expenditures and the means of financing them. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States except that the budgeted cost of fixed assets purchased is included as expenditures. Budget amendments require approval by the Board of Directors.

When unexpected or excess financing becomes available during the year, the Library Board has given the librarian authority to use her discretion as to how the funds are to be used unless stipulated by the donor or grantor. Since funding is an unknown variable for the library, expenditures are difficult to budget throughout the year. As funding becomes available, the board often authorizes additional expenditures.

The Library's budgetary basis of accounting is consistent with generally accepted accounting principles.

**H. Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

**I. Jointly Governed Organizations**

The Gorham-MacBane Library Board comprises the governing Board for Robertson County of the Regional Library system, which is a component of the State Library System. The Library does not provide and is not liable for any financial support of the system.

**Note 2 — Cash**

The Library is allowed to invest funds in a manner as defined in the Tennessee Code Annotated. At June 30, 2012, the balance of the Library's deposits were as follows:

	Carrying <u>Amount</u>	Bank <u>Balance</u>
US Bank	\$ 60,887	\$103,993
Edward Jones Money Market	139,190	139,190
Bank of America	<u>8,880</u>	<u>8,880</u>
Total	\$ 208,957	\$ 252,063

All deposits are insured by FDIC or SPIC. See also Note 4 Restricted Cash.

**Note 3 — Pension Plan**  
**Plan Description**

Employees of Gorham MacBane Public Library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 and with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Gorham-MacBane Public Library participates in the TCRS as individual entities and is liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to political subdivisions unless approved by the chief governing body.



Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

**Funding Policy**

Gorham-MacBane Public Library requires employees to contribute 5.0% of earnable compensation.

Gorham-MacBane Public Library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 10.03% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Gorham-MacBane Public Library is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2012, Gorham-MacBane Public Library's annual pension cost of \$7,623 to TCRS was equal to Gorham-MacBane's Public Library's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases on a graded scale (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) inflation of 3%, (d) cost of living adjustments of 2.5 percent annually, and (e) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Gorham-MacBane Public Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2011 was 6 years.

**Trend Information**

<i>Fiscal Year Ending</i>	<i>Annual Pension Cost (APC)</i>	<i>Percent of APC Contributed</i>	<i>Net Pension Obligation</i>
June 30, 2012	\$ 7,623	100.00%	\$0.00
June 30, 2011	\$ 6,923	100.00%	\$0.00
June 30, 2010	\$10,525	100.00%	\$0.00

**Note 4 — Investment — Nonspendable Cash**

Nonspendable cash consists of a \$20,000 endowment held in trust and invested in a certificate of deposit. The certificate of deposit earns interest at rates commensurate with prevailing market rates for one-year certificates and renews annually. The market value of this instrument is not materially different from its carrying value presented in

Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

the financial statements. The library is allowed to use the earnings only, not the corpus, for general budget purposes. The certificate of deposit is insured by the FDIC.

**Note 5 — Capital Assets**

<u>Cost</u>	<u>Capital Assets, not depreciated</u>		<u>Capital Assets, depreciated</u>			<u>Totals</u>
	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings and Improvements</u>	<u>Books and Other Resources</u>	<u>Furniture and Equipment</u>	
Balance, June 30, 2011	60,000	177,163	164,279	1,227,922	228,155	1,857,519
Additions				87,110	5,500	92,610
Retirements						-
Balance, June 30, 2012	60,000	177,163	164,279	1,315,032	233,655	1,950,129
<b>Accumulated Depreciation</b>						
Balance, June 30, 2011			164,279	972,789	163,725	1,300,793
Additions				60,655	26,113	86,768
Retirements						-
Balance, June 30, 2012			164,279	1,033,444	189,838	1,387,561
<b>Net Assets</b>	<b>60,000</b>	<b>177,163</b>	<b>-</b>	<b>281,588</b>	<b>43,817</b>	<b>562,568</b>

Depreciation Expense of \$86,759 was charged to the library services governmental activity.

**Note 6 — Leases**

Gorham MacBane Public Library participated in operating leases for books and audio books in the current fiscal year. The lease agreements are one-year agreements. The audio book lease of \$5,254 was with TEI Landmark Audio.

**Note 7 — State Appropriation**

The Library receives support from the Warioto Regional Library Center annually based on the funding the Warioto Regional Library Center receives from the State of Tennessee and the service area population of Robertson County in relation to other counties serviced by Warioto. For the fiscal year ended June 30, 2012, Gorham-MacBane Public Library received funding of \$15,856 from the Warioto Regional Center. Gorham-MacBane does not receive this support in the form of cash payments. Warioto uses these funds to purchase books and audio visual materials on behalf of the library.

**Note 8 — Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and workers' compensation claims for which the library carries commercial insurance. Settlements have not exceeded insurance coverage for any claims in the prior three fiscal years.



Gorham-MacBane Public Library  
(A Joint Venture)  
Notes to Financial Statements

**Note 9 – Nonspendable Fund Balance**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

The Library was the recipient of a \$20,000 trust to be known as the Anna Pearson MacIntosh Trust. The conditions of the trust are as follows: the principal of the trust must be kept intact and must be held in a federally secure deposit (See Note 4). Only the interest earned may be used by the Library.

**Note 10 – Concentrations**

Gorham-MacBane Public Library received approximately 89% of its funding from Robertson County and the City of Springfield. For the year ending June 30, 2012, Robertson County and the City of Springfield accounted for approximately 44% each of the Library's funding, respectively.

**Note 11 – Committed Fund Balance**

As of June 30, 2012, the Library had committed assets and fund balance of \$139,190 for use in future library expansion. See Footnote 1.D on page 11 regarding committed fund balance and related actions.

**Note 12 – Subsequent Events**

Management has evaluated events from June 30, 2012 through July 12, 2013, the date at which these financial statements were available to be issued, for events that impact these financial statements. In November, 2012, the position of Librarian became vacant and remained vacant until June, 2013.

**END OF NOTES**



**Supplementary Information  
and  
Supporting Schedules**

## Schedule of Funding Progress for Gorham-MacBane Library, 809.32

(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
	(a)	(b)	(b) – (a)	(a/b)	(c)	((b– a)/c)
July 01, 2011	\$245	\$278	(\$33)	88.13%	\$ 95	34.74%
July 01, 2009	\$207	\$238	\$ 31	86.97%	\$ 90	34.44%
July 01, 2007	\$200	\$233	\$ 33	85.84%	\$117	28.21%
July 01, 2005	\$164	\$211	\$ 47	77.73%	\$111	42.34%

Gorham-MacBane Public Library  
(A Joint Venture)  
Schedule of Revenue  
For the Year Ended June 30, 2012

**Revenues:**

Service Revenue	
Book Sales	\$ 189
Copies	3,971
Fines	14,123
Lost Books	974
Miscellaneous	1,271
New Cards	502
Total Service Revenue	<u>21,030</u>
Other Revenues	
Donations & Gifts	4,597
Interest	79
Memorials	285
Warioto Regional Library Center	<u>15,856</u>
Total Other Revenues	<u>20,818</u>
Total Revenues	<u><u>\$ 41,848</u></u>



CARL A. DAVIS & COMPANY  
Certified Public Accountants

## CARL A. DAVIS & COMPANY, CPA'S

### **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Directors  
Gorham-MacBane Public Library  
Springfield, Tennessee

We have audited the financial statements of the governmental activities, the discretely presented component unit and the major fund of the Gorham-MacBane Public Library as of and for the year ended June 30, 2012, and have issued our report thereon dated July 12, 2013. Our report included a disclaimer of opinion on the governmental activities due to scope limitations. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control over Financial Reporting

Gorham-MacBane Public Library is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gorham-MacBane Public Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Hendersonville:  
Portland:

131 Maple Row Blvd., Suite A100, Hendersonville, TN 37075  
901 S. Broadway, Portland, TN 37148

615-822-0231  
615-325-4394

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization, the Tennessee State Comptrollers Office, and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, reading "Carl A. Davis & Company". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Carl A. Davis & Company, CPA's  
Hendersonville, Tennessee  
July 12, 2013



**Follow-up on Prior Year Findings**

**Finding 2011-1** - The capital asset records, especially those related to library books, do not provide a reliable audit trail to substantiate their value.

Current Year Status – Finding repeated.

**Finding 2011-2** - A complete segregation of duties does not exist at the library.

Current Year Status – Finding resolved and no longer applicable.

**Finding 2011-3** - Certain library expenditures exceed budgeted amounts.

Current Year Status – Finding resolved and no longer applicable.

**Current Year Findings**

**Finding 2012-1 (repeat finding)**

Statement of Condition

The capital asset records, especially those related to library books, do not provide a reliable audit trail to substantiate their value.

Criteria

Capital asset records should be periodically evaluated and reconciled in order to safeguard and provide values of capital assets.

Effect of Condition

A lack of verified capital asset records increases the potential for theft and attrition losses to go undetected.

Cause of Condition

The time and resources needed to verify the list of assets, and in particular the immense volume of books, has not been readily available.

Recommendation

Management should further their efforts to attach a valuation to books in the circulation system.

Management Response

We intend to resolve the remainder of this issue in the 2012-13 fiscal year.